INTRODUCTION TO RULES OF ORIGIN
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Objective:

To raise awareness and build capacity in the area of Rules of Origin;
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Enabling Objectives:

1. To provide basic and technical training on Rules of Origin;
2. To enhance the understanding of Rules of Origin with regards to various treaties;
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Enabling Objectives Con’t:

3. To facilitate the implementation of Rules of Origin in Caricom Countries;
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What are “Rules of Origin”:

The Laws, Regulations and Administrative Arrangements used by individual states to determine the country of origin of goods?
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These rules dictate the sufficient level of processing of a product that must take place in a given exporting country in order for the product to be considered as having its origin in that country?
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A universal understanding of the concept of origin would have clear benefits in terms of trade facilitation.
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“TRADE FACILITATION”

Provisions to expedite the movement of goods through borders by enhancing the efficiency of Customs and other border agencies
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- Customs response towards Trade Facilitation:
  - Application of modern customs techniques e.g. risk management
  - Application of simplified customs procedures
  - Implementation of a single administrative document (SAD)
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- Customs and Trade Facilitation:

  ✓ Upgrade of customs automated systems e.g. Asycuda World

  ✓ Review of national legislation to reflect international standards e.g. acceptance of electronic information including payments
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- Customs and Trade Facilitation:
  - ✓ Provision of and access to information electronically and otherwise
  - ✓ Development of technical assistance data base
  - ✓ Provision for formal appeal process
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- Customs and Trade Facilitation:

- Implementation of SAFE framework of standards including the introduction of reforms and the acquisition of equipment for deployment at ports of entry for non-intrusive detection methods
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Why do we need “Rules of Origin”? 

✓ Non – preferential purposes 

✓ Preferential purposes?
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- Non – preferential Rules of Origin:

Used for determining economic nationality of products subject to commercial policy measures such as:

- Tariff Quotas
- Anti-Dumping
- For statistical purposes
- For Government procurement
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In 1974, at the Kyoto Convention, guidelines for simplification and harmonization of customs procedures entered into force.
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An agreement was reached to introduce harmonized non-preferential rules of origin within the World Trade Organization (WTO) framework;
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- Harmonization of non-preferential rules of origin: why the logic?

- Administrative requirements for proving origin take time and constitute costs (non tariff barriers for traders)?
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Why the logic Con’t:

- Different rules in different trading partner countries add to these costs;
- Divergence also means uncertainty and unpredictability
- Which can lead to trade disputes?
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*Harmonization of non-preferential rules of origin*  

The WTO Agreement on rules of origin (articles 2-3) requires members to ensure that:

- Their rules of origin are transparent
They do not have restricting, distorting or disruptive effects on international trade

They are administered in a consistent, uniform, impartial and reasonable manner?
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- They are based on a positive standard

Article 5 - requires members to notify its rules of origin and any modifications?
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- Preferential Rules of Origin:

Used for determining the nationality/regionality of a product subject to preferential tariff rates within a FTA/RTA?
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* Preferential Rules of Origin:

There are no internationally agreed upon rules of origin for preferential purposes;
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- Preferential Rules of Origin:

Each “Free Trade Area”/“Regional Trade Area” administering a trade agreement – presently establishes its own rules of origin
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* Preferential Rules of Origin:

The purpose of preferential rules of origin is to prevent trade deflection;
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Why do we need to understand Preferential Rules of Origin:

- They discriminate between goods
- They need to be fulfilled for being able to utilise trade agreements
- All administrative requirements create burdens and can distort trade
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- Defining a goods nationality becomes more difficult as globalization advances
- They are often used as a development tool

con’t
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- Important differences between non-preferential and preferential rules of origin:

  - Non-preferential rules of origin cover all goods – HS chapters (1 – 97)

  Preferential rules do not have to;
Non-preferential rules ultimately leads to a country of origin - while preferential rules only have to determine whether the goods qualify for preferential treatment;
CON’T

 prefersential rules have economic significance to a higher degree than non-preferential rules;
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Conclusions:

Rules of origin are highly complex – both for traders and customs officials.

Restrictive rules often have a negative effect on trade.
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Conclusions: con’t

Regardless of their restrictiveness, divergent rules of origin are also barriers to trade;